

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3545-05
Bill No.: SCS for HCS for HB 1316
Subject: Property, Real and Personal; County Officials; Counties
Type: Original
Date: May 4, 2010

Bill Summary: Would make several changes to local property tax collection procedures and would authorize the creation of the Kansas City Zoological District.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0 or (More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Assessment Notice Requirement

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **State Tax Commission** (TAX) assume there would be no fiscal impact to their organization. TAX officials also assume there would be a potential for cost savings to local governments which would not be required to provide the current mandatory tax liability notice.

TAX officials stated the total cost of software to provide the proposed notice has been estimated at \$1.1 million and they had submitted a budget request for \$100,00 for a business analysis of that cost. A similar budget request has been denied the past two budget cycles.

Oversight notes that the State Tax Commission response indicates the significance of the potential cost of these provisions; however, the cost to the State Tax Commission was included in the fiscal note for TAFP CCS for HCS for SCS for SB 711 LR 3297-12 (2008).

Officials from **Cass County** assume there would be some administrative costs in implementing this proposal, and the proposed requirements would impact the Assessor's budget. Cass County officials assume the impact is unknown.

Officials from **St. Louis County** provided an estimate of the cost to provide the notice that would be required if the proposal is enacted and the software is provided by the State Tax Commission.

	Envelopes	Postage	Printing	Mailing	Total
FY 2011	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2012	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2013	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
Total	\$18,000	\$404,424	\$59,265	\$28,950	\$510,639

ASSUMPTION (continued)

Oversight received no other responses for this proposal. Oversight assumes the St. Louis County responses indicate the significance of the potential cost of this proposal and, accordingly, Oversight will indicate an impact of \$0 if the State Tax Commission does not provide the software, or cost in excess of \$100,000 for local governments if the software is provided.

Sale of Real Property for the Collection of Delinquent Taxes.

Officials from the **Department of Revenue**, the **State Tax Commission**, and the **Office of the Boone County Collector of Revenue** assumed similar provisions in HB 1420 LR 3886-02 (2010) would have no fiscal impact on their organizations.

Officials from **Buchanan County** assumed similar provisions in HB 1420 LR 3886-02 (2010) would result in additional cost to their organization of at least \$7,500 per year.

Officials from the **Office of the St. Louis County Collector of Revenue** (office) stated that implementing assumed similar provisions in HB 1420 LR 3886-02 (2010) would result in additional costs to their organization. The office already mails tax sale property notices to owners and occupants. The proposal would require the office to send out certified mail for an estimated 5,000 delinquent tax bills. It would cost \$5.54 per tax bill to mail bills certified with a return receipt. Based on an estimate that the office has between 2,800 and 5,000 bills with \$1,000 or more in valuations the cost would be significant. At 5,000 bills the charge would be \$27,700. The cost of the procedure would also include the labor to prepare the mailing at \$15 to \$20 per hour per person. With our staff of three people it would take about 138 hours at five minutes per bill for an estimated total of \$8,280 in labor costs.

The office assumed they could recoup some of the cost by imposing a fee, added to the publication fee, to every payment on tax sale properties. Between tax payments and the tax sale the office assumes it would recoup the costs on 3,950 properties or \$21,883. Revenue losses would be incurred on all unpaid and unsold properties in a given year. This year, the office failed to receive payment or sell 1,051 properties at \$5,823.

Oversight did not receive any other responses to our request for information regarding this proposal.

ASSUMPTION (continued)

Oversight assumes this proposal would result in additional costs to local governments, since it would add a certified mail requirement and additional procedural steps to the tax sale process for properties with delinquent taxes. Although additional tax collections could be expected as a result of the enhanced notification process, most of the notification cost would ultimately be deducted from tax collections received from property sales, or would be absorbed by the county for properties that remain unsold.

For fiscal note purposes, Oversight will indicate a cost in excess of \$100,000 per year to local governments. Since this proposal would presumably become effective after the 2010 tax sale, the first local government impact would be in 2011 (FY 2012).

Collection of Local Property Taxes.

Officials from the **Department of Revenue** assumed similar provisions in SCS for HB 1424 LR 3966-03 (2010) would have no fiscal impact on their organization.

Officials from the **State Tax Commission, Buchanan County, St. Louis County**, and the **Office of the Boone County Collector** assumed similar provisions in SCS for HB 1424 LR 3966-03 (2010) would have no fiscal impact on their organizations.

In response to a similar proposal (SB 736, LR 3560-02) officials from the **Office of the State Auditor** and the **Office of the St. Louis Collector** assumed the proposal would have no fiscal impact on their organizations.

Oversight received no other responses, and assumes the provisions in this proposal would have no local fiscal impact on the state or on local governments.

Kansas City Zoological District

In response to similar provisions in a previous version of HB 2297 LR 5326-01 (2010), officials from the **State Tax Commission** assumed there would be no fiscal impact to their agency.

Officials from the **City of Kansas City** stated that similar provisions in SCS for HCS for HB 2297 LR 5326-05 (2010) would have a positive fiscal impact on the City of an indeterminate amount.

ASSUMPTION (continued)

In response to a previous version a previous version of HB 2297 LR 5326-04 (2010), officials from **Cass County** assumed this is enabling legislation and does not force the County to participate. This legislation would have no fiscal impact on the county general revenue.

Officials from the **Department of Revenue (DOR)** stated in response to SCS for HCS for HB 2297 LR 5326-05 (2010) that the Department would need to establish a new district type and corresponding code in their system.

DOR officials estimated the IT cost to implement the proposal at \$4,441 based on 168 FTE hours of programming to make changes to the sales tax processing system (MITS).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes these provisions would authorize the establishment of the Kansas City Zoological District which could be composed of Jackson, Clay, Platte, and Cass Counties at the option of the voters of each such county. Should voters approve the imposition of a sales tax, the county could expect revenue to be generated for financial support of the Kansas City Zoological District. Oversight assumes the Department of Revenue would collect the sales tax and retain 1% collection fee which would be deposited in the State's General Revenue Fund.

Oversight assumes the Kansas City Zoological District Sales Tax Trust Fund balance would be either a positive unknown or zero.

Oversight assumes this proposal as written is enabling legislation and would require action by the county's governing body before fiscal impact would be realized. Oversight assumes no state or local fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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LOCAL GOVERNMENTS

<u>Cost</u> - Assessment notices	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>
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<u>Cost</u> - tax sale notices	<u>\$0</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

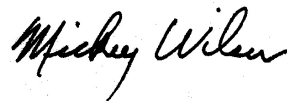
FISCAL DESCRIPTION

The proposed legislation would make several changes to local property tax collection procedures and would authorize the creation of the Kansas City Zoological District.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Auditor
Department of Revenue
State Tax Commission
Buchanan County
Cass County
St. Louis County
City of Kansas City
Boone County Collector of Revenue
St. Louis County Collector of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 4, 2010